

ADMIRAL GROUP PLC

REMUNERATION COMMITTEE APPROVED TERMS OF REFERENCE

Approved: [4th September 2006]

In these Terms of Reference the following terms shall have the following meanings:

the “**Board**” means the board of directors of the Company

the “**Committee**” means the Remuneration Committee

the “**Group**” means the Company and its subsidiaries

“**Senior Managers**” means managers that report to any one of the executive directors

1. Membership

- 1.1 The Remuneration Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. It shall be comprised of at least three non-executive Directors, all of whom should be independent. The Chairman of the Board may also be a member, but not chair the Committee if they were independent upon appointment as Board Chairman.
- 1.2 The Board shall appoint the Chair of the Committee on the recommendation of the Nomination Committee.
- 1.3 The Board shall appoint a Secretary to the Committee who may, or may not be, a member of the Committee.

2.1 Quorum

- 2.1 The presence of two non-executive Directors shall constitute a quorum of the Committee. In the absence of the Chair, the quorate members of the Committee shall appoint a Chair for the meeting.

3 Authority and Frequency of Meetings

- 3.1 The Remuneration Committee is authorised by the Board to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee in order to perform its duties. All employees are directed to co-operate with any requests made by the Remuneration Committee.

3.2 The remuneration of the non-executive Directors shall be a matter for the Board Chairman and the executive members of the Board.

3.3 The Remuneration Committee is authorised by the Board to obtain outside professional advice and to secure the attendance of outsiders with relevant experience and expertise whenever necessary. The Committee should be exclusively responsible for selecting, appointing and briefing any remuneration consultants who advise them.

3.4 The Committee shall meet not less than once a year and at such other times as the Chairman of the Committee shall require.

4 Notice of Meetings

4.1 Meetings of the Committee shall be summoned by the Company Secretary at the request of any of its members.

4.2 Unless otherwise agreed, each member should be provided with notice of the meeting confirming the time, date and venue for the meeting along with the meeting agenda, no later than 3 working days before the date of the meeting. Any relevant papers should be sent to the Committee members, and any other attendees where appropriate, at the same time.

5 Minutes of Meetings

5.1 The proceedings of all Committee meetings should be minuted, specifying the names of those in attendance.

5.2 The minutes of each meeting should be circulated to each member of the Committee and, once agreed, to all members of the Board (with the exception of those circumstances where a conflict of interest exists).

6 Annual General Meeting

6.1 The Chair of the Remuneration Committee should attend the AGM to respond to any questions that shareholders may raise regarding the Committee's activities.

7 Duties

The Remuneration Committee shall:

7.1 Establish the broad policy that determines all elements of the remuneration of the company's Chief Executive, Chair, executive and non-executives Directors, the

- Company Secretary and any other senior managers that the Board designates the Committee to consider.
- 7.2 Determine the total individual remuneration package of the executive Directors, including basic salary, bonuses, incentive payments and share options, within the framework of the agreed policy and taking into account the recommendations of the Chief Executive. The object of remuneration policy should be to ensure that members of the executive management are provided with appropriate incentives to maximise the performance of the company.
 - 7.3 Determine the total individual remuneration package of the Chairman of the Board.
 - 7.4 Recommend the remuneration and terms of employment of prospective executive Directors of the Company and the terms of service of existing Directors.
 - 7.5 Approve the design of, and determine the targets for any performance-related pay schemes operated by the company. Consider the eligibility of Directors for annual bonuses and benefits and approve the total annual payments under these schemes.
 - 7.6 Review annually any Executive Share Option Scheme or other Long Term Incentive Plan (LTIPs) operated, by or to be established by, the Company. Each year it must be determined whether awards should be made, to whom they should be made, the overall amount that should be awarded, the time of the award and the objective performance criteria that are to be used. Ensure that shareholders are specifically invited to approve all new LTIP's and any specific changes to existing schemes.
 - 7.7 Determine the policy for the pension arrangements of executives.
 - 7.8 Ensure that the contractual terms on termination and the payments made are fair to both the individual and the company, ensuring that failure is not rewarded. Any package should be within those legal requirements, provisions and recommendations of the Combined Code and the UK Listing Authority's Listing Rules.
 - 7.9 Ensure that reliable and up-to-date information about remuneration trends in other companies is obtained.
 - 7.10 Where remuneration consultants are appointed a statement should be made available which details any other involvements that they have with the company on other capacities.
 - 7.11 Review the annual trends in remuneration across the company, overseeing any major changes in the benefit structure.

- 7.12 Agree the policy for authorising expense claims from the Chair and Chief Executive.
- 7.13 Ensure that full details of remuneration packages and structures, including those required by law, the Directors' Remuneration Report Regulations 2002 and the Revised Combined Code, are disclosed.
- 7.14 The Remuneration Committee shall have regard in the performance of their duties set out herein, to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes (in particular the guidelines published by the Association of British Insurers and National Association of Pension Funds), which the Remuneration Committee considers relevant or appropriate.

8 Reporting Procedures

- 8.2 The Committee Chair should report to the Board after each meeting on all matters that have been discussed which are within its duties and responsibilities.
- 8.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area that is within its remit.
- 8.4 A report of the company's remuneration policy and practices should be produced and included within the Annual Report. The Committee should ratify this and ensure that it is put to the shareholders for approval each year.

9 Committee Performance

- 9.1 The Committee shall review its own performance, constitution and terms of reference annually in order to ensure that it continues to operate effectively. Any changes that it considers necessary should be put before the Board for approval.

Signed: John Sussens

3rd March 2006

Chair

